

SURREBUTTAL TESTIMONY AND EXHIBIT OF
BRANDON S. BICKLEY
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2019-290-WS

IN RE: APPLICATION OF BLUE GRANITE WATER COMPANY FOR
APPROVAL TO ADJUST RATE SCHEDULES AND INCREASE RATES

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Brandon S. Bickley. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the South Carolina Office of Regulatory Staff (“ORS”) in the Energy Operations Department as a Regulatory Analyst.

Q. DID YOU FILE DIRECT TESTIMONY AND ONE (1) EXHIBIT RELATED TO THIS PROCEEDING?

A. Yes. I filed direct testimony and one (1) exhibit with the Public Service Commission of South Carolina (“Commission”) on January 23, 2020.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony filed by Blue Granite Water Company (“BGWC” or the “Company”) witnesses Mendenhall and DeStefano on February 6, 2020. Specifically, I will focus on:

- BGWC’s proposal to amend tariff language and fees related to the Pumping Charge for Solids Interceptor (“LETTS”) Tanks;
- BGWC’s proposed Round Up Program;

- BGWC's proposed storm expense for the twelve (12) months ending June 30, 2019;
- and
- BGWC's proposed Storm Reserve Fund.

Proposed Tariff change to Pumping Charge for LETTS Tanks

Q. HAS ORS UPDATED ITS POSITION OR RECOMMENDATIONS FROM DIRECT TESTIMONY REGARDING THE PROPOSED TARIFF CHANGE TO THE PUMPING CHARGE FOR LETTS TANKS?

A. ORS maintains the same positions and recommendations as discussed in my Direct Testimony with three (3) exceptions. These exceptions concern ORS's proposed tariff language changes in Exhibit BSB-1. The first is to include language for emergency conditions. The second is to include additional language regarding the proposed option for customers to use third-party vendors with respect to LETTS tank pumping and following any laws and regulations. The third is a slight wording change replacing the word "shall" with "may" regarding BGWC's oversight should a customer decide to use an alternative third-party vendor to perform pumping services. These changes are reflected in Surrebuttal Exhibit BSB-1. ORS recommends the Commission adopt the tariff language changes as proposed in Surrebuttal Exhibit BSB-1.

Q. DOES THE COMPANY AGREE WITH ORS'S POSITION REGARDING LETTS TANKS?

A. No. Company witness Mendenhall presents concerns relating to emergency circumstances of "sanitary sewer overflows" and health risks to the "environment, the public, and the customer" should a LETTS Tank require immediate pumping.¹ Witness

¹ Direct Testimony of Bryce Mendenhall Page 11, line 20 and Page 12, line 4.

Mendenhall also discusses concerns related to a third-party's compliance with laws and ordinances should a customer be given the option to use a third-party vendor. In general, ORS's position tries to increase customer choice while protecting the Company and enabling them to provide safe and reliable service. It should be noted that BGWC owns only 301² of the 581 LETTS Tanks (approximately 52%) in its service territories. Therefore, the proposed tariff language changes should take into account those customers who own their LETTS Tanks.

Q. WHAT DOES ORS RECOMMEND REGARDING LETTS TANK PUMPING UNDER EMERGENCY CIRCUMSTANCES?

A. ORS recommends adopting the modified tariff language changes as proposed in Surrebuttal Exhibit BSB-1, which includes an emergency scenario. If such a condition were to arise that presents a health risk to the environment, the public, or the customer, then the Company would have the authority to take immediate action to pump a LETTS Tank under those conditions. The Company would then have to present evidence of the emergency condition that necessitated immediate action (i.e., pictures, inspection report, etc.) for review by ORS, the Commission, or the affected customer when requested.

Q. WHAT DOES ORS RECOMMEND REGARDING COMPANY WITNESS MENDENHALL'S CONCERN WITH A THIRD-PARTY VENDOR'S COMPLIANCE WITH LAWS AND ORDINANCES?

A. ORS agrees that when pumping work is performed, proper work practices should be followed, and all applicable laws and regulations should be maintained and adhered to. ORS recommends adopting the modified tariff language changes as proposed in Surrebuttal

² Response to Energy Operations Request ("EOR") #40, Question 2.

Exhibit BSB-1, which includes wording related to third-party vendors to meet and operate with all required qualifications and certifications/licenses and adhere to any laws and regulations.

Q. DO YOU AGREE WITH COMPANY WITNESS MENDENHALL'S CONCERN REGARDING CUSTOMERS USING THE "LEAST COST PROVIDER"?³

A. No. My position does not focus on a "least cost provider" as the primary reason for my recommendations and position, and I do not believe it appropriate to assume that customers would put the system in jeopardy by using what Company witness Mendenhall terms the "least cost provider." The recommendations I have suggested focus on customer protections and empowering customers by offering customers alternative options while at the same time affording the Company reasonable protections.

Q. DO YOU AGREE WITH COMPANY WITNESS MENDENHALL'S OPINION THAT THE COMPARISON ORS USED WITH DOCKET NO. 2007-359-WS IS NOT REASONABLE?

A. No. The purpose of my illustrative example of the Total Environmental Solutions Incorporated ("TESI") and Foxwood Property Owners Association ("POA") settlement agreement in Docket No. 2007-359-WS and Commission Order No. 2008-492 was to show an example where the Commission allowed for customer choice regarding maintenance of a major component on a customer's property.

Proposed Round Up Program

Q. HAS ORS UPDATED ITS POSITION OR RECOMMENDATIONS FROM DIRECT TESTIMONY REGARDING THE PROPOSED ROUND UP PROGRAM?

³ Rebuttal Testimony of Dante DeStefano Page 12, line 7.

1 A. No. ORS maintains the same positions and recommendations as noted in my Direct
2 Testimony. ORS's adjustment reflected in ORS witness Sullivan's Audit Exhibit DFS-5,
3 Adjustment 15b did not change in Surrebuttal Audit Exhibit DFS-5, Adjustment 15b.

4 **Q. DO YOU AGREE WITH COMPANY WITNESS DESTEFANO'S STATEMENTS**
5 **THAT THE PROPOSED ROUND UP PROGRAM SHOULD BE A PART OF THE**
6 **COMPANY'S SERVICE OFFERING AND PART OF THE COMPANY'S COST**
7 **TO SERVE CUSTOMERS?**

8 A. No. Company witness DeStefano agrees that the proposed round up program is
9 voluntary. This raises the point that if BGWC's proposed program were to be approved,
10 then the customers who choose to not participate in the proposed program would be subject
11 to pay for those costs. Customers should not be required to pay for the costs of a voluntary
12 program that they do not participate in, and the Company has not provided evidence that
13 the program itself improves, or otherwise supports the Company's ability to provide safe
14 and reliable water and sewer service.

15 **Q. DO YOU AGREE WITH COMPANY WITNESS DESTEFANO'S STATEMENTS**
16 **THAT THE PROPOSED ROUND UP PROGRAM WOULD RESULT IN FEWER**
17 **DISCONNECT/RECONNECT SITUATIONS, LOWER CUSTOMER SERVICE**
18 **EXPENSES, AND LOWER UNCOLLECTIBLE EXPENSES?**

19 A. No. The Company has not provided any evidence to show that the proposed Round
20 Up Program would result in fewer disconnect/reconnect situations, lower customer service
21 expenses, or lower uncollectible expenses. The Company's proposed costs related to the
22 proposed Round Up Program are not known and measurable, and witness DeStefano agrees

1 in Rebuttal Testimony that the Round Up Program is “difficult to quantify.”⁴ Witness
2 DeStefano’s statements are speculative and based on a generalized assumption that the
3 mere “existence of the Round Up Program”⁵ is evidence enough instead of using known
4 and measurable information. The Company did not provide or state in its application that
5 any studies or analyses were performed to determine if the above-mentioned claims are
6 reasonable and true. Further, the Company did not propose an offset to uncollectible
7 expenses based on the proposed Round Up Program. ORS does not oppose such programs
8 where the costs associated with starting and administering the Round Up Program are paid
9 by BGWC’s shareholders.

10 It should be reiterated from my Direct Testimony that two of the key points from
11 the executed Memorandum of Understanding (“Memo”) between the Company and the
12 South Carolina Office of Economic Opportunity (“SCOEO”) are:

- 13 • The funds for the proposed Round Up Program may be issued in an amount not to
14 exceed fifty dollars (\$50), per qualifying household, for the payment of outstanding
15 water or sewer services charges, or a deposit on a residential customer account.⁶
- 16 • The funds for the proposed Round Up Program will be provided as a one-time
17 service for eligible residential customers during the Program Year (Program Year
18 is defined as “the operational period for Blue Granite Project Share is July 1 to June
19 30” in the SCOEO Memo).⁷

20 Based on the Company’s proposal, any customer assistance provided through the Round
21 Up Program will end up increasing BGWC’s revenue. BGWC’s proposal does not include

⁴ Rebuttal Testimony of Dante DeStefano Page 25, line 23.

⁵ Rebuttal Testimony of Dante DeStefano Page 25, line 23.

⁶ Response to EOR #8, Question 1.

⁷ Response to EOR #8, Question 1.

its shareholders paying for or contributing to the costs associated with starting and administering the program, but instead the Company's proposal assigns the costs for the program to its customers.

Q. DO YOU AGREE WITH COMPANY WITNESS DESTEFANO'S STATEMENTS THAT THE CONSUMER ADVOCATE'S POSITION FOR THE PROPOSED ROUND UP PROGRAM IS A REASONABLE COMPROMISE?

A. No. Company witness DeStefano appears to take the Consumer Advocate's position of allowing for the costs to be deferred with a cap and suggests using a cap of fifty-thousand dollars (\$50,000), however, ORS's previously iterated concerns remain. The reasonable option is to require shareholders to pay all costs, including, but not limited to all administrative and communication costs, for any such program.

Normalize Storm Costs

Q. HAS ORS UPDATED ITS POSITION OR RECOMMENDATIONS FROM DIRECT TESTIMONY REGARDING NORMALIZATION OF STORM COSTS?

A. No. ORS maintains the same positions and recommendations as noted in my Direct Testimony. ORS's adjustment reflected in ORS witness Sullivan's Audit Exhibit DFS-5, Adjustment #9d did not change in Surrebuttal Audit Exhibit DFS-5, Adjustment #9d.

Q. DO YOU AGREE WITH COMPANY WITNESS DESTEFANO'S RESPONSE IN REBUTTAL TESTIMONY TO USE A FIVE-YEAR AVERAGE?

A. No. While Company witness DeStefano does not oppose using a multi-year average of costs, I do not agree with using a five (5) year average (2015-2019) to normalize storm costs. ORS has consistently used a ten (10) year average when proposing normalization of storm costs in past rate proceedings (see Docket No. 2018-319-E and

Commission Order No. 2019-323 for a recent example). This is a more representative method to ensure enough data is gathered and used over a reasonable period of time to form an accurate view of storm costs. Using a five (5) year average as proposed by witness DeStefano would not allow for significant outliers that occur due to fluctuations in annual costs to be determined and removed from the average. Using a ten (10) year average allows for a more complete assessment of costs over time. Therefore, ORS recommends that the Commission reject witness DeStefano's proposal to use a five (5) year average for the normalization of storm costs.

Proposed Storm Reserve Fund

Q. HAS ORS UPDATED ITS POSITION OR RECOMMENDATIONS FROM DIRECT TESTIMONY REGARDING THE PROPOSED STORM RESERVE FUND?

A. ORS maintains the same positions and recommendations as discussed in my Direct Testimony with two (2) exceptions. Should the fund be approved, ORS modifies its recommendations for customer protections regarding insurance proceeds and quarterly reporting as outlined below.

Q. DO YOU AGREE WITH COMPANY WITNESS DESTEFANO'S STATEMENTS REGARDING SERVICE RELIABILITY?

A. No. In my Direct Testimony, I point out that based on the Company's responses in discovery, the Company states that it "has not identified any water or sewer customers who have lost service due to storm damage in the last five (5) years." While Company witness DeStefano does identify statements the Company provided in discovery, he outlines normal issues with any storm and discusses interruptions of service for which the Company is

1 already responsible for under South Carolina Code of State Regulations, Sections 103-771
2 (Interruptions of Service, water) and 103-571 (Interruptions of Service, sewer).⁸ The focus
3 of my Direct Testimony with regards to service reliability issues due to storm damage was
4 to point out that, per the Company's responses in discovery, no customers in the past five
5 (5) years had lost service due to storm damage. BGWC is obligated to restore service
6 consistent with these regulations within the shortest time practicable, regardless of whether
7 a storm fund exists or not.

8 **Q. DOES THE COMPANY AGREE WITH ORS'S PROPOSED CUSTOMER**
9 **PROTECTION THAT THE PROPOSED STORM RESERVE FUND ONLY BE**
10 **USED FOR A NAMED STORM?**

11 **A.** Yes. Company witness DeStefano agrees this is a reasonable protection.

12 **Q. DOES THE COMPANY AGREE WITH ORS'S PROPOSED CUSTOMER**
13 **PROTECTION FOR UTILIZING THE PROPOSED STORM RESERVE FUND IF**
14 **THE COMPANY'S INSURANCE DOES NOT EXTEND TO COVER ALL COSTS**
15 **RELATED TO DAMAGE FROM A NAMED STORM?**

16 **A.** No. Company witness DeStefano disagrees with ORS's position and notes that the
17 Company "does not know whether proceeds will be approved by an insurance provider
18 often many months or even years after costs are incurred." Witness DeStefano further
19 notes that if approved, the Company would return insurance proceeds to the "fund as an
20 offset to incurred costs."⁹ ORS recommends that if the Commission were to approve the
21 proposed Storm Reserve Fund that ORS's customer protections as stated in Direct

⁸ South Carolina Code of State Regulations, Chapter 103, Articles 7 and 5, Subarticles 7 and 7, sections 103-771 and 103-571.

⁹ Rebuttal Testimony of Dante DeStefano Page 25, lines 1-9.

Testimony be adopted along with a modification to add witness DeStefano's proposal to remit any insurance proceeds to the Storm Reserve Fund as an offset.

Q. DOES ORS AGREE WITH THE COMPANY'S PROPOSAL TO SUBMIT ANNUAL RATHER THAN QUARTERLY REPORTS ON THE PROPOSED STORM RESERVE FUND?

A. Should the Commission allow the Company to create a Storm Reserve Fund, ORS agrees that an annual filing by the Company of the report recommended by ORS is an adequate customer protection.

Q. DOES THE COMPANY AGREE WITH ORS'S POSITION TO LOWER THE THRESHOLD OF THE PROPOSED STORM RESERVE FUND TO \$50,000?

A. No. Company witness DeStefano discusses how a \$50,000 fund, as recommended by ORS, would not accomplish the goals the Company states for the fund. ORS does not agree with the Company's justifications for a proposed Storm Reserve Fund with a \$200,000 threshold. First, while the Company has experienced two (2) storm events in the past few years, if you were to compare the past ten (10) years of storm events, the Company has not experienced major storm damage costs like those related to Hurricanes Michael and Florence on recurring basis. The Company utilized an approved method for recovery of those costs via deferred accounting treatment. The Company does not present known and measurable data to show that such extreme costs are incurred on an annual basis or with a frequency to justify a Storm Reserve Fund with a threshold of \$200,000.

Second, the Company incorrectly labels its proposal to suspend the monthly charge once the fund is reached and refunding overcollections to customers as a "customer protection." This is not a customer protection. Instead, this is merely the standard outline

1 proposed by the Company for running and operating the fund. The monthly charge would
2 be another fee on a customer's bill for which the customer would have to pay. The
3 Company has proposed inadequate customer protections regarding the use and
4 maintenance of the proposed Storm Reserve Fund.

5 Third, BGWC stated in discovery that the "funds would be held in existing bank
6 accounts managed by the [Water Service Corporation] and utilized by the Company for
7 customer collections and vendor payment. These accounts do not accrue interest."¹⁰
8 BGWC noted the account would be managed by Water Service Corporation ("WSC")
9 which is the service corporation for BGWC and its subsidiaries. WSC performs
10 accounting, data analysis, billing, customer service, human resources, information
11 technology, payroll, and other services for BGWC. Absent sufficient protections, amounts
12 collected from South Carolina customers for use only in BGWC's service territories should
13 not be maintained with an affiliate company. If the fund were approved, funds should be
14 kept in an account managed by BGWC to avoid any potential risk of commingling funds
15 from other affiliates and only be accessed when the parameters for doing so are met.
16 Further, if the threshold of \$200,000 were to be approved, BGWC could be holding
17 \$200,000 of customer money for an indeterminate amount of time. Under that scenario, at
18 a minimum, the proposed Storm Reserve Fund should safely and conservatively earn
19 interest for the benefit of customers.

20 Fourth, witness DeStefano mentions that the proposed fund "mitigates the potential
21 for a catastrophic storm to erode the Company's earnings and impair the Company's
22 financial ability."¹¹ The Company does not currently have a Storm Reserve Fund, and the

¹⁰ Response to EOR #40, Question 3.

¹¹ Rebuttal Testimony of Dante DeStefano Page 25, lines 10-11.

1 Company does not present adequate data, analyses, or evidence as to how the Company's
2 earnings and financial ability would be impaired should the fund not be approved. The
3 Company relies on generalized and speculative statements as its basis to assess an
4 additional monthly charge to its customers. Finally, even if the proposed Storm Reserve
5 Fund is not approved, the Company still has the option to use deferred accounting treatment
6 for costs related to major storms.

7 **Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**
8 **BECOMES AVAILABLE?**

9 **A.** Yes. ORS reserves the right to revise its recommendations via supplemental
10 testimony should new information not previously provided by the Company, or other
11 sources become available.

12 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

13 **A.** Yes, it does.

Office of Regulatory Staff
Pumping Charge Tariff Language
Blue Granite Water Company
Docket No. 2019-290-WS

Current Tariff Language.

A. Pumping Charge

At such time as the Utility determines through its inspection that excessive solids have accumulated in the interceptor tank, the Utility will arrange for the pumping tank and will include \$150.00 as a separate item in the next regular billing to the customer.

Company's Proposed Tariff Language.

A. Pumping Charge

On such regular intervals as the Utility deems prudent, or upon discovery that excessive solids have accumulated in the interceptor tank, the Utility will arrange for the customer's tank to be pumped out and cleaned. The Utility shall bill the customer for the actual cost to the Utility of pumping and cleaning the tank, including the Utility's cost to access the tank ("Pumping Charge"). The Pumping Charge will be included as a separate line item on the next regular billing to the customer. Alternatively, at the customer's request, the Pumping Charge may be billed to the customer in twelve equal monthly installments.

ORS's Proposed Tariff Language.

A. Pumping Charge

On such regular intervals as the Utility deems prudent, upon discovery that excessive solids have accumulated in the interceptor tank, or for any instance when a customer's interceptor tank is in need of access, pumping, cleaning, maintenance/repair, or requires any work ("Pumping Charge") related to a Pumping Charge, the Utility shall provide an estimate of the actual cost of the Pumping Charge to that customer for the specified work to be done. Should a customer choose, the customer may seek quotes/estimates from third-party vendors not affiliated with the Utility. The Utility shall not proceed with any work related to an interceptor tank until such time as the Utility secures the customers approval, in writing, for the work to be performed.

If the customer chooses to have the Utility perform the work associated with the interceptor tank, then the cost charged to the customer shall not exceed the estimate of the actual cost the Utility provided to the customer (whether the work is performed by the Utility or if the Utility utilizes a third-party vendor). If the customer chooses to contract with a third-party vendor, then the Utility may oversee the work but will not charge the affected customer for the personnel and overhead costs incurred in managing the work. The customer shall utilize third-party vendors who meet and operate with all required qualifications and certifications/licenses and adhere to any laws and regulations related to pumping of an interceptor tank. The customer shall provide the Utility with sufficient documentation to demonstrate the work was performed by the third-party vendor.

The Pumping Charge will be included as a separate line item on the next regular billing to the customer. Alternatively, at the customer's request, the Pumping Charge may be billed to the customer in twelve (12) equal monthly installments.

Emergency Condition Authority: Should a condition arise that presents a health risk to the customer, the public, or the environment, the Utility shall have the authority to proceed with pumping a customer's interceptor tank. The Utility shall present, upon request, evidence supporting the need for immediate action.